

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0672-02
Bill No.: HB 328
Subject: Telecommunications; Environmental Protection; Natural Resources Department
Type: Original
Date: April 3, 2013

Bill Summary: This proposal establishes the Residential Electronic Products Recycling and Reuse Act and repeals the Manufacturer Responsibility and Customer Convenience Equipment Collection and Recovery Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Solid Waste Management	\$85,737	(\$115,194)	(\$118,664)
Total Estimated Net Effect on <u>Other</u> State Funds	\$85,737	(\$115,194)	(\$118,664)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Solid Waste Management	4	4	4
Total Estimated Net Effect on FTE	4	4	4

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government*	\$0	\$0	\$0

* revenues and expenditures net to zero

FISCAL ANALYSIS

ASSUMPTION

§§ 260.1200 - 260.1240 - Residential Electronic Products Recycling and Reuse Act:

Officials from the **Department of Natural Resources (DNR)** state estimated revenue is based on the Illinois' experience in implementing a similar law. In the first year of implementation in Illinois, seventy (70) manufacturers paid the registration fee.

DNR states the manufacturers' registration fee for the initial program year 2014, will be \$10,000 or \$700,000 in total and for subsequent years will be \$5,000 or \$350,000 in total. Also, in the first year Illinois had 106 registered dismantlers/demanufacturers or refurbishers. Estimating Missouri's initial year of dismantler/demanufacturer or refurbisher registration fees based upon Illinois' experience, the initial program year 2014 will be \$2,500 per entity or \$265,000 in total and for subsequent years \$1,500 per entity or \$159,000 in total.

DNR assumes fees collected are to be deposited into the Solid Waste Management Fund and allocated 39% to the department to support the duties contained in proposed sections 260.1200 to 260.1240 and the remaining 61% allocated equally to participating solid waste management districts.

DNR assumes there is a provision for any unencumbered funds at fiscal year-end due to insufficient or inadequate applications to be reallocated using the same percentages for use in the next year. The solid waste management districts are required to use the funds in support of public education about use, recovery and the effect of improper disposal of CEDs and EEDs on the environment, to stimulate recovery and recycling of CEDs and EEDs through funding of collection events and related costs and grants for equipment to recycle and/or recover CEDs and EEDs. Table 1 details the estimated funding allocations.

ASSUMPTION (continued)

Table 1: Estimated Funding Allocations:

Entity	% of Revenues	Est. 2014 Program Year Fees	Est. Subsequent Years Fees
Department of Natural Resources	39%	\$376,350	\$198,510
Participating Solid Waste Management District	61%	\$588,650	\$310,490

Source: Department of Natural Resources

DNR states table 2 provides detail related to the reporting and website requirements of the proposal.

Table 2: Detail of DNR, Reporting and Website Requirements

DEPARTMENT REQUIREMENTS	REPORTING REQUIRED	WEBSITE INFORMATION
Monitor Compliance for 176 Manufacturers and Demanufacturers, Dismantlers, Refurbishers	Program Performance Report to Governor and General Assembly	Update yearly, underserved SWMD for next program year
Education Campaign to inform SWMD and municipal governments of the Act	Collect reporting sampling required each quarter on the manufacturers	Update yearly, list of manufacturers paying current year registration fee
Convene and Host Electronic Product Recycling Conference	Collect total weight of TV sold of each brand by retailers to manufacturers (sold to individuals)	List of registered Collectors
Recognition Program for manufacturers who have met or exceeded recycling reuse goals (other media also)	Collect from TV Manufacturers, reports on weight of each brand sold and weight of computers, computer monitors, printers, all TVs and EED recycled or processed for reuse	List of statewide reuse, recycling goals and subgoals
Solicit written comments to detail any modifications needed to Act	Collect from Computer, Computer Monitor and Printer Manufacturers, total weight of computers, computer monitors, printer, TV, and EED recycled or processed for reuse	Market share of TV manufacturers

ASSUMPTION (continued)

Table 2: Detail of DNR, Reporting and Website Requirements (continued)

DEPARTMENT REQUIREMENTS	REPORTING REQUIRED	WEBSITE INFORMATION
Compile review of comments and Program Performance Reports	TV manufacturers will send total weight of TV's sold on each brand and weight of computers, computer monitors, printers, TV's and EED's for prior year, must ID all weights that have been adjusted (collect physical report)	Return share of computer, computer monitor, and Printer manufacturers
Hold Public Meeting to present findings and solicit additional comments	Computer, Computer Monitor and Printer Manufacturers will send total weight of TV's sold on each brand and weight of computers, computer monitor, printers, TV's and EED's for prior year, must ID all weights that have been adjusted (collect physical report)	Individual reuse and recycling goals for each remanufacturer
Final Report to Governor and General Assembly identifying any needed modifications	Collect list of each Dismantlers, Demanufacturers, Refurbishers, and Collectors used by Manufacturer to meet Manufacturer goals	Information for consumer detailing where and how consumers can recycle CED or return CED for reuse
Register all Manufacturers	Collect summary of Manufacturer Consumer Education Program	Update yearly, list of remanufacturers not meeting goals
Collect Registration fees from Manufacturers	Collectors must report by manufacturer the weight of computers, computer monitors, TV's and EED's	
Register all Dismantlers, Demanufacturers, and Refurbishers	Collectors must report by manufacturer the weight of computers, computer monitors, TV's and EED's	
Collect Registration fee from Dismantlers, Demanufacturers, and Refurbishers	Compile a list of Demanufacturers, Dismantlers, and Refurbishers that received CED and EED from collector and total weight received from collector	
Register Collectors	Collect the address of each Collectors facility where CED and EED were collected or received and the SWMD	
Rulemaking		

Source: Department of Natural Resources

ASSUMPTION (continued)

DNR states this proposal will require four (4) Environmental Specialist I/II/III FTE as well as associated expense and equipment costs as detailed below.

DNR states responsibilities will include rulemaking, solicit and review comments, compile written comments, review and compile program performance and final reports, hold public meetings, monitoring and reporting, issuance of landfill ban waivers and notices within timeframes, rescission notice to General Assembly, if applicable, review of submitted quarterly third-party audit reports, and calculation of recycling or reuse goals, goal attainment percentages, monitoring/enforcement including third-party sampling audit events in any time remaining.

DNR states additional FTE responsibilities will include the development and implementation of education campaign and related materials, coordinate convening and hosting of conferences, development and implementation of manufacturer recognition program, and work with ITSD on webpage design, content and data collection from reporters and periodic updates.

DNR states other FTE responsibilities will include registration of businesses and updates to registrations, and monitoring/inspections to include third-party sampling audit events, analysis of submitted reports, and referrals to the Attorney General Office's for enforcement actions, if applicable.

Detailed PS, Fringe, and E&E costs are provided below in table 3.

Table 3: Personal Service, Fringe Benefits, Expense and Equipment Costs

	FY 2014	FY 2015	FY 2016
Personal Service	\$157,240	\$190,575	\$192,481
Fringe Benefits	\$83,243	\$100,890	\$101,899
Expense & Equipment	\$50,130	\$22,239	\$22,794
Total	\$290,613	\$313,704	\$317,174

Source: Department of Natural Resources

DNR states the fees generated by the proposal are not sufficient to cover the costs associated with implementation and costs to continue.

ASSUMPTION (continued)

Oversight assumes DNR may request additional funding from the Solid Waste Management Fund (SWMF) for costs exceeding new income generated by this proposal.

Oversight assumes, according to the monthly fund activity report provided by the State Treasurer's Office, the balance of the SWMF was \$12,110,099 at the end of February 2013.

Oversight assumes Solid Waste Management Districts will be allocated 61% of the fee revenues and expenses will be set to match the fee revenues received by each solid waste management district.

Officials from the **Office of Administration - Division of Purchasing & Materials Management (DPMM)** assume section 260.1226, will require the division to include language in its bid solicitations for the purchase or lease of computers and computer monitors requiring the electronic products to have a bronze performance tier or higher registration under the Electronic Product Environmental Assessment Tool.

DPMM assumes section 260.1226, will require the division to include language in its bid solicitations for the purchase or lease of televisions and printers requiring the electronic products to have a bronze performance tier or higher registration under the Electronic Product Environmental Assessment Tool.

Officials from the **Office of Administration - Information Technology Services Division** assume the division would be required to purchase certain types of equipment that would be bronze performance tier or higher registered under the Electronic Product Environmental Assessment Tool (EPEAT).

Officials from the **Office of Administration (COA)** assume the majority of the equipment covered by the proposal are currently available on the state contract and the equipment meets the required standard.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal creates several new fees that may generate an unknown amount of revenue and impact the 18e calculation.

BAP assumes this proposal sets a registration fee of \$10,000 for manufacturers whose computers, computer monitors, or televisions are sold in Missouri in 2014. For all subsequent years, the registration fee is decreased to \$5,000.

ASSUMPTION (continued)

BAP assumes a registration fee of \$2,500 is required of dismantlers, demanufacturers, and refurbishers in 2014. Each subsequent year, the fee is \$1,500.

BAP assumes civil penalties are outlined for noncompliance with the legislation and range from \$1,000 to \$10,000. These penalties could impact Total State Revenue by an unknown amount.

BAP defers to the Department of Natural Resources for any costs that might be incurred from this proposal.

Officials from the **St. Louis-Jefferson Solid Waste Management District (SJSWMD)** assume this proposal could lead to increased electronics recycling and set a model for expanding recycling of other materials in Missouri. SJSWMD assumes fees are placed on the manufacturer resulting in management costs being accounted for in the price of products.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials at the **Office of Attorney General (AGO)** assumes that any potential costs arising from this proposal can be absorbed with existing resources. AGO may seek additional appropriation if there is a significant increase in the number of cases referred to the AGO.

Officials at the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

ASSUMPTION (continued)

Officials from the **Office of State Courts Administrator** assume the proposal would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
SOLID WASTE MANAGEMENT FUND			
<u>Revenue - DNR</u>	\$376,350	\$198,510	\$198,510
§§ 260.1200 - 260.1240 - Fees			
<u>Costs - DNR §§ 260.1200 - 260.1240</u>			
Personal Service	(\$157,240)	(\$190,575)	(\$192,481)
Fringe Benefits	(\$83,243)	(\$100,890)	(\$101,899)
Expense and Equipment	(\$50,130)	(\$22,239)	(\$22,794)
<u>Total Costs - DNR</u>	(\$290,613)	(\$313,704)	(\$317,174)
FTE Change - DNR	4 FTE	4 FTE	4 FTE
ESTIMATED NET EFFECT ON THE SOLID WASTE MANAGEMENT FUND	<u>\$85,737</u>	<u>(\$115,194)</u>	<u>(\$118,664)</u>
Estimated Net FTE Change for Solid Waste Management Fund	4 FTE	4 FTE	4 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL GOVERNMENT FUNDS			
<u>Revenue</u> - Solid Waste Management Districts			
§§ 260.1200 - 260.1240 - Fees	\$588,650	\$310,490	\$310,490
<u>Costs</u> - Solid Waste Management Districts			
§§ 260.1200 - 260.1240 - Program Expenditures	<u>(\$588,650)</u>	<u>(\$310,490)</u>	<u>(\$310,490)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

§§ 260.1200 - 260.1240 - Residential Electronic Products Recycling and Reuse Act:

DNR states sections 260.1220.2 and 260.1216.2 of the proposed legislation has provisions requiring dismantlers/demanufacturers, refurbishers and/or manufacturers, of covered electronic devices or eligible electronic devices to pay annual fees as detailed in Table 4, below. A percentage of these collectors, dismantlers/demanufacturers, refurbishers and/or manufacturers are small businesses and would be required to pay the fee.

DNR notes collectors, while required to file reports with DNR are not required to pay any fee.

DNR states section 260.1218.1, of the proposed legislation requires retailers, some of which are small businesses, to be a primary source of information about end-of-life options to residential consumers of computers, computer monitors, printers, and televisions. The retailer is required to provide to each residential consumer at the time of purchase information from the department's website providing details on where and how Consumer Electronic Devices can be recycled or returned for reuse.

FISCAL IMPACT - Small Business (Continued)

DNR states, the retailer is required to report to each television manufacturer, by model, the number of televisions sold at retail to individuals in Missouri under each of the manufacturer's brands during specified periods of time. There will likely be some cost associated with providing this information to residential consumers. Table 4 details the fees placed on small businesses.

Table 4: Small Business Fees:

Type of Business	2014 Program Year Fee	Fees in Subsequent Years
Manufacturers	\$10,000	\$5,000
Dismantlers/Demanufacturers /Refurbishers	\$2,500	\$1,500

Source: Department of Natural Resources

FISCAL DESCRIPTION

§§ 260.1200 - 260.1240 - Residential Electronic Products Recycling and Reuse Act:


This proposal establishes the Residential Electronic Products Recycling and Reuse Act and repeals the Manufacturer Responsibility and Consumer Convenience Equipment Collection and Recovery Act.

This proposal specifies that the registration fees are to be transmitted to the department for deposit in the newly created Solid Waste Management Fund to be allocated as specified in the bill;

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources
Office of Administration -
 Division of Budget and Planning
Office of Administration -
 Division of Purchasing & Materials Management
Office of Administration -
 Information Technology Services Division
Office of Secretary of State
Joint Committee on Administrative Rules
Office of the Attorney General
Office of State Courts Administrator
St. Louis-Jefferson Solid Waste Management District



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